

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 652

BY WAYS AND MEANS COMMITTEE

AN ACT

RELATING TO SMALL EMPLOYER AND INDIVIDUAL HEALTH INSURANCE RATES; AMENDING SECTION 41-4706, IDAHO CODE, TO PROVIDE A CORRECT CODE REFERENCE AND TO PROVIDE THAT CERTAIN INFORMATION SHALL BE PUBLIC IF REQUIRED BY OTHER APPLICABLE LAW; AND AMENDING SECTION 41-5206, IDAHO CODE, TO PROVIDE THAT CERTAIN INFORMATION SHALL BE PUBLIC IF REQUIRED BY OTHER APPLICABLE LAW.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 41-4706, Idaho Code, be, and the same is hereby amended to read as follows:

41-4706. RESTRICTIONS RELATING TO PREMIUM RATES. (1) Premium rates for health benefit plans subject to the provisions of this chapter shall be subject to the following provisions:

(a) The index rate for a rating period for any class of business shall not exceed the index rate for any other class of business by more than twenty percent (20%).

(b) For a class of business, the premium rates charged during a rating period to small employers with similar case characteristics for the same or similar coverage, or the rates that could be charged to such employers under the rating system for that class of business, shall not vary from the index rate by more than fifty percent (50%) of the index rate.

(c) The percentage increase in the premium rate charged to a small employer for a new rating period may not exceed the sum of the following:

(i) The percentage change in the new business premium rate measured from the first day of the prior rating period to the first day of the new rating period. In the case of a health benefit plan into which the small employer carrier is no longer enrolling new small employers, the small employer carrier shall use the percentage change in the base premium rate, provided that such change does not exceed, on a percentage basis, the change in the new business premium rate for the most similar health benefit plan into which the small employer carrier is actively enrolling new small employers;

(ii) Any adjustment, not to exceed fifteen percent (15%) annually and adjusted pro rata for rating periods of less than one (1) year, due to the claim experience, health status or duration of coverage of the employees or dependents of the small employer as determined from the small employer carrier's rate manual for the class of business; and

- 1 (iii) Any adjustment due to change in coverage or change in the
2 case characteristics of the small employer as determined from the
3 small employer carrier's rate manual for the class of business.
- 4 (d) Adjustments in rates for claim experience, health status and du-
5 ration of coverage shall not be charged to individual employees or de-
6 pendents. Any such adjustment shall be applied uniformly to the rates
7 charged for all employees and dependents of the small employer.
- 8 (e) Premium rates for health benefit plans shall comply with the re-
9 quirements of this section notwithstanding any assessments paid or
10 payable by small employer carriers pursuant to section 41-4711, Idaho
11 Code, or chapter 55, title 41, Idaho Code.
- 12 (f) (i) Small employer carriers shall apply rating factors, includ-
13 ing case characteristics, consistently with respect to all small
14 employers in a class of business. Rating factors shall produce
15 premiums for identical groups which differ only by the amounts at-
16 tributable to plan design and do not reflect differences due to the
17 nature of the groups assumed to select particular health benefit
18 plans; and
19 (ii) A small employer carrier shall treat all health benefit plans
20 issued or renewed in the same calendar month as having the same
21 rating period.
- 22 (g) For the purposes of this subsection, a health benefit plan that
23 utilizes a restricted provider network shall not be considered similar
24 coverage to a health benefit plan that does not utilize such a network,
25 provided that utilization of the restricted provider network results in
26 substantial differences in claims costs.
- 27 (h) The small employer carrier shall not use case characteristics,
28 other than age, individual tobacco use, geography, as defined by rule of
29 the director, or gender, without prior approval of the director.
- 30 (i) A small employer carrier may utilize age as a case characteristic in
31 establishing premium rates, provided that the same rating factor shall
32 be applied to all dependents under twenty-five (25) years of age, and
33 the same rating factor may be applied on an annual basis as to individu-
34 als or nondependents twenty (20) years of age or older.
- 35 (j) The director may establish rules to implement the provisions of
36 this section and to assure that rating practices used by small employer
37 carriers are consistent with the purposes of this chapter, including
38 rules that:
- 39 (i) Assure that differences in rates charged for health benefit
40 plans by small employer carriers are reasonable and reflect objec-
41 tive differences in plan design, not including differences due to
42 the nature of the groups assumed to select particular health bene-
43 fit plans;
- 44 (ii) Prescribe the manner in which case characteristics may be
45 used by small employer carriers; and
- 46 (iii) Prescribe the manner in which a small employer carrier is to
47 demonstrate compliance with the provisions of this section, in-
48 cluding requirements that a small employer carrier provide the di-
49 rector with actuarial certification as to such compliance.

1 (2) A small employer carrier shall not transfer a small employer invol-
2 untarily into or out of a class of business. A small employer carrier shall
3 not offer to transfer a small employer into or out of a class of business un-
4 less such offer is made to transfer all small employers in the class of busi-
5 ness without regard to case characteristics, claim experience, health sta-
6 tus or duration of coverage since issue.

7 (3) The director may suspend for a specified period the application of
8 subsection (1) (a) of this section as to the premium rates applicable to one
9 (1) or more small employers included within a class of business of a small em-
10 ployer carrier for one (1) or more rating periods upon a filing by the small
11 employer carrier and a finding by the director either that the suspension is
12 reasonable in light of the financial condition of the small employer carrier
13 or that the suspension would enhance the efficiency and fairness of the mar-
14 ketplace for small employer health insurance.

15 (4) In connection with the offering for sale of any health benefit plan
16 to a small employer, a small employer carrier shall make a reasonable disclo-
17 sure, as part of its solicitation and sales materials, of all of the follow-
18 ing:

19 (a) The extent to which premium rates for a specified small employer are
20 established or adjusted based upon the actual or expected variation in
21 claims costs or actual or expected variation in health status of the em-
22 ployees of the small employer and their dependents;

23 (b) The provisions of the health benefit plan concerning the small em-
24 ployer carrier's right to change premium rates and the factors, other
25 than claim experience, that affect changes in premium rates;

26 (c) The provisions relating to renewability of policies and contracts;
27 and

28 (d) The provisions relating to any preexisting condition provision.

29 (5) (a) Each small employer carrier shall maintain at its principal
30 place of business a complete and detailed description of its rating
31 practices and renewal underwriting practices, including information
32 and documentation that demonstrate that its rating methods and prac-
33 tices are based upon commonly accepted actuarial assumptions and are in
34 accordance with sound actuarial principles.

35 (b) Each small employer carrier shall file with the director annually
36 on or before March 15, an actuarial certification certifying that the
37 carrier is in compliance with the provisions of this chapter and that
38 the rating methods of the small employer carrier are actuarially sound.
39 Such certification shall be in a form and manner, and shall contain such
40 information, as specified by the director. A copy of the certification
41 shall be retained by the small employer carrier at its principal place
42 of business.

43 (c) A small employer carrier shall make the information and documenta-
44 tion described in subsection (45) (a) of this section available to the
45 director upon request. Except in cases of violations of the provisions
46 of this chapter or as otherwise provided by applicable law, the infor-
47 mation shall be considered proprietary and trade secret information and
48 shall not be subject to disclosure by the director to persons outside of
49 the department except as agreed to by the small employer carrier or as
50 ordered by a court of competent jurisdiction.

1 SECTION 2. That Section 41-5206, Idaho Code, be, and the same is hereby
2 amended to read as follows:

3 41-5206. RESTRICTIONS RELATING TO PREMIUM RATES. (1) Premium rates
4 for health benefit plans subject to the provisions of this chapter shall be
5 subject to the following provisions:

6 (a) The premium rates charged during a rating period to individuals
7 with similar case characteristics for the same or similar coverage, or
8 the rates that could be charged to such individuals under the rating
9 system, shall not vary from the index rate by more than fifty percent
10 (50%) of the index rate.

11 (b) The percentage increase in the premium rate charged to an individ-
12 ual for a new rating period may not exceed the sum of the following:

13 (i) The percentage change in the new business premium rate mea-
14 sured from the first day of the prior rating period to the first
15 day of the new rating period. In the case of a health benefit plan
16 into which the individual carrier is no longer enrolling new indi-
17 viduals, the individual carrier shall use the percentage change in
18 the base premium rate, provided that such change does not exceed,
19 on a percentage basis, the change in the new business premium rate
20 for the most similar health benefit plan into which the individual
21 carrier is actively enrolling new individuals.

22 (ii) Any adjustment, not to exceed fifteen percent (15%) annually
23 and adjusted pro rata for rating periods of less than one (1) year,
24 due to the claim experience, health status or duration of coverage
25 of the individual or dependents as determined from the individual
26 carrier's rate manual; and

27 (iii) Any adjustment due to change in coverage or change in the
28 case characteristics of the individual as determined from the in-
29 dividual carrier's rate manual.

30 (c) Premium rates for health benefit plans shall comply with the re-
31 quirements of this section notwithstanding any assessments paid or
32 payable by carriers pursuant to section 41-4711, Idaho Code, or chapter
33 55, title 41, Idaho Code.

34 (d) (i) Individual carriers shall apply rating factors, including
35 case characteristics, consistently with respect to all individ-
36 uals. Rating factors shall produce premiums for identical individ-
37 uals which differ only by the amounts attributable to plan design
38 and do not reflect differences due to the nature of the individuals
39 assumed to select particular health benefit plans; and

40 (ii) An individual carrier shall treat all health benefit plans
41 issued or renewed in the same calendar month as having the same
42 rating period.

43 (e) For purposes of this subsection, a health benefit plan that uti-
44 lizes a restricted provider network shall not be considered similar
45 coverage to a health benefit plan that does not utilize such a network,
46 provided that utilization of the restricted provider network results in
47 substantial differences in claims costs.

(f) The individual carrier shall not use case characteristics, other than age, individual tobacco use, geography as defined by rule of the director, or gender, without prior approval of the director.

(g) An individual carrier may utilize age as a case characteristic in establishing premium rates, provided that the same rating factor shall be applied to all dependents under twenty-five (25) years of age, and the same rating factor may be applied on an annual basis as to individuals or nondependents twenty (20) years of age or older.

(h) The director may establish rules to implement the provisions of this section and to assure that rating practices used by individual carriers are consistent with the purposes of this chapter, including rules that:

(i) Assure that differences in rates charged for health benefit plans by individual carriers are reasonable and reflect objective differences in plan design, not including differences due to the nature of the individuals assumed to select particular health benefit plans;

(ii) Prescribe the manner in which case characteristics may be used by individual carriers; and

(iii) Prescribe the manner in which an individual carrier is to demonstrate compliance with the provisions of this section, including requirements that an individual carrier provide the director with actuarial certification as to such compliance.

(2) The director may suspend for a specified period the application of subsection (1) (a) of this section as to the premium rates applicable to one (1) or more individuals for one (1) or more rating periods upon a filing by the individual carrier and a finding by the director either that the suspension is reasonable in light of the financial condition of the individual carrier or that the suspension would enhance the efficiency and fairness of the marketplace for individual health insurance.

(3) In connection with the offering for sale of any health benefit plan to an individual, an individual carrier shall make a reasonable disclosure, as part of its solicitation and sales materials, of all of the following:

(a) The extent to which premium rates for an individual are established or adjusted based upon the actual or expected variation in claims costs or actual or expected variation in health status of the individual and his dependents;

(b) The provisions of the health benefit plan concerning the individual carrier's right to change premium rates and the factors, other than claim experience, that affect changes in premium rates;

(c) The provisions relating to renewability of policies and contracts; and

(d) The provisions relating to any preexisting condition provision.

(4) (a) Each individual carrier shall maintain at its principal place of business a complete and detailed description of its rating practices and renewal underwriting practices, including information and documentation that demonstrate that its rating methods and practices are based upon commonly accepted actuarial assumptions and are in accordance with sound actuarial principles.

1 (b) Each individual carrier shall file with the director annually on
2 or before September 15, an actuarial certification certifying that the
3 carrier is in compliance with the provisions of this chapter and that
4 the rating methods of the individual carrier are actuarially sound.
5 Such certification shall be in a form and manner, and shall contain such
6 information, as specified by the director. A copy of the certification
7 shall be retained by the individual carrier at its principal place of
8 business.

9 (c) An individual carrier shall make the information and documentation
10 described in subsection (4) (a) of this section available to the direc-
11 tor upon request. Except in cases of violations of the provisions of
12 this chapter or as otherwise provided by applicable law, the informa-
13 tion shall be considered proprietary and trade secret information and
14 shall not be subject to disclosure by the director to persons outside of
15 the department except as agreed to by the individual carrier or as or-
16 dered by a court of competent jurisdiction.